



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: May 13, 2024

Report No: ES-009-24

Subject: Vacant Home Tax

Recommendation: THAT Halton Region be advised that the Town of Milton would like to be excluded from any potential by-laws that would implement a Vacant Home Tax within the municipality.

THAT a copy of the Town of Milton's resolution along with report ES-009-24 be circulated to the Region of Halton, the City of Burlington, the Town of Halton Hills and the Town of Oakville.

EXECUTIVE SUMMARY

- On April 17, Halton Regional Council provided authorization for work to resume on the study of an optional Vacant Home Tax (VHT). Next steps will include finalizing the design and timing of the VHT program, updating cost and revenue projections, and preparing by-laws. The Region intends to seek statements or endorsements from local municipal Councils in the fall of 2024.
- To date, a VHT has been implemented in the cities of Ottawa and Toronto. Municipalities that have assessed the VHT and decided not to implement it include the Regions of Durham and York, as well as cities such as Guelph and Kitchener. Other municipalities remain at various stages of assessment of the VHT.
- Town staff believe that sufficient information currently exists for the Town to arrive at the determination that the implementation of a VHT is not in Milton's best interest at this time. This conclusion has been arrived at with consideration of the feasibility assessment work and municipal scans that have occurred since the evaluation process was initiated in 2021, with the rationale outlined in further detail in the report below.
- Housing affordability and the availability of housing will continue to be areas of focus for the Town and all levels of government. The Town of Milton will continue to implement a number of initiatives to increase housing densities, accelerate approval

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timelines, provide financial incentives and provide dedicated staff resources for affordable housing solutions.

- Should Council prefer to wait until the fall of 2024 in order to adopt a position with respect to a potential VHT, a resolution could be passed to simply receive report ES-009-24 for information at this time.

REPORT

Background

In 2017 through Bill 127 - Stronger, Healthier Ontario Act (Budget Measures), the Province established the legislative framework that provides municipalities with the option to implement a Vacant Home Tax (VHT). In April 2022, Halton Regional Council was provided with a [VHT feasibility study](#) that was prepared by Ernst & Young LLP through report [FN-15-22](#). On the basis of that report, Regional Council gave direction to proceed with the design and implementation of a proposed VHT program in Halton Region. A subsequent report ([FN-41-23](#)) was provided to Regional Council in November 2023, which included the results of a public consultation process that had been undertaken by MTE Consultants Inc.

At the November 2023 Regional Council meeting, direction was provided for the VHT work to be paused until such time as the Provincial Policy Framework for VHT was released. On March 27, 2024, that [framework](#) was released by the Province, and it included guidelines and recommendations for the VHT. At the same time, the Province released [Ontario Regulation 143/24](#), that provides authority to all single and upper tier municipalities to implement a VHT. In April 2024 through report [FN-12-24](#), Regional Council authorized the resumption of work on the study of an optional VHT for Halton Region.

The Provincial Policy Framework recommends that, in the case of two-tier municipal governments, the upper tier municipality receive supportive statements or endorsements from lower tier municipalities with respect to the VHT. The framework makes clear that the VHT bylaws that are established by the upper tier municipality should specify which lower tier municipalities the VHT will be in effect for, and which it will not.

Through FN-12-24, Halton Region has outlined the intended next steps, which include finalizing the proposed VHT program, as well as the implementation timeline, for Regional Council's consideration. Supportive statements or endorsements will also be sought from

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local municipalities, followed by approval of Regional by-laws for the participating municipalities.

The following report has been prepared in order to provide Milton Council with an opportunity to establish a position with respect to a potential VHT within the municipality. Although Council could choose to wait until the Fall of 2024 in order to adopt a position (as the Region has proposed), Town staff feel that sufficient information currently exists already to inform a decision, and efficiencies could be created should Council provide a direction at this time.

Discussion

The VHT framework was established as a tool to, amongst other considerations, potentially improve housing affordability within the Province. The legislation allows a municipality to impose a tax on vacant residential units that meet the criteria established by the municipality. Once designated, Council has the authority to pass a by-law to impose a VHT on the assessed value of a vacant home in the residential property class. The by-law must contain the applicable tax rate and the conditions of a vacancy that, if met, make a unit subject to the tax. The by-law may also contain possible exemptions from the tax, rebates, audit and inspection powers and a dispute resolution mechanism.

Since its inception, a VHT has been implemented in the cities of Toronto and Ottawa. Municipalities that have assessed the VHT and decided not to implement it include the Regions of Durham and York, as well as cities such as Guelph and Kitchener. Reasons for not proceeding have included concerns about the financial viability (i.e. not self sustaining), insufficient vacant homes to warrant the administration of a VHT, and/or the expectation that the VHT was not likely to fulfill the intended policy or economic goals. A number of other municipalities are at various stages of review and consideration of a VHT.

Within Halton Region, a review of the VHT was initiated in 2021. Halton Region has led the engagement and have retained external consulting support at various stages of the review. Local municipalities have supported the process through providing information, analysis and feedback. As noted in Regional report FN-15-22, the objective in implementing a VHT would be two-fold:

1. It is a policy measure to encourage owners of vacant homes to rent, sell or occupy the home
2. Revenue generated from the VHT could be used to enhance affordable and assisted housing programs in support of the Region's comprehensive housing strategy

There are four main operational components in administering a VHT, being:

1. Reporting - a process to identify the homes that are to be taxed. The primary options would be a mandatory universal declaration process for all property owners, a self

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declaration process for only those that are vacant, or a complaint based program to identify vacant homes.

2. Collections - collection of both the VHT and any related penalties for non-compliance.
3. Compliance - which includes investigations to determine if there are properties that are not in compliance.
4. Communication - to address queries, complaints, and to build awareness of the program and the responsibilities of property owners.

Ernst & Young LLP (E&Y) was retained by the Region to assess the potential for a VHT to achieve the two primary objectives, as well as to consider an implementation plan in relation to the operational areas. Their initial findings were presented through FN-15-22 and included the following:

- It was estimated that 985 vacant homes within Halton Region would be eligible to pay a VHT, representing 0.5% of the total housing supply.
 - For Milton specifically, the total number of VHT eligible properties was estimated at 255.
 - Of the 985 unit total, it was estimated that 330 vacant homes across the Region (33%) would be sold or rented over a 10 year period in response to a VHT.
- Based on this estimate, and assuming a 1% VHT was applied (based on the property's assessed value), the estimated annual revenue was projected to be \$6.1 million within the Region (comprised both of the VHT (\$5.8 million) and penalties (\$0.3 million).
- The cost to implement a VHT program was estimated to be \$3.3 million to \$3.9 million for the initial implementation, and \$1.8 million to \$2.0 million in annual operating costs. These estimates assumed that an annual staffing level of 11-12 Full Time Equivalents (FTE) would be required.
- It was acknowledged that these estimates were preliminary and would be subject to change through a more detailed implementation planning stage. Risks of any program included revenue uncertainty, tax system and process challenges, and the potential for high rates of non-compliance or incorrect declarations subject to the declaration methodology that was adopted.

Subsequent to E&Y's report, additional time was dedicated towards a detailed design of a VHT program. E&Y was re-engaged to support this process, and although the analysis will continue in 2024, initial updated findings in 2023 included:

- Consistent with Toronto and Ottawa, the feasibility assessment recommended the universal declaration method as the primary method for the potential implementation of a VHT in Halton Region.
- Based on preliminary work undertaken to date, the staffing complement that will be required is projected to be greater than what was anticipated in the feasibility assessment. As program design and financial modeling work is still underway, these projections remain subject to further change.

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- Halton Region and the local municipalities do not currently have systems with the capability to receive declarations and communicate the results for collection. Therefore new software systems and processes would need to be developed.
- It was also noted that several local municipalities are currently in the process of migrating to a new property tax software system (CentralSquare), with completion dates ranging from 2024 to 2026. These software migrations are currently separate and distinct from the implementation of a VHT declaration and administration platform.

Recommendation

Staff recommend that Milton advise the Region that the Town is not interested in further pursuing the implementation of a VHT in the municipality at this time. The rationale supporting this recommendation includes:

- Neither of the two primary objectives for a VHT appear to be achieved in a material way or with sufficient certainty
 - Only a minimal impact on vacant units is anticipated based on the modelling undertaken (only 255 eligible VHT units in Milton to begin with, of which 33% were estimated to be sold or rented in response to a VHT over a 10 year period)
 - Uncertainty exists with respect to the financial viability of the program, and the risks associated with both the potential revenue that could be generated and the costs to administer a VHT
- Based on the relatively minor number of units that are expected to be returned to the market in response to a VHT, no material impact on housing prices is expected to occur as a result of a VHT program.
- Use of the universal declaration method is concerning
 - As 99.5% of residential properties are not expected to be vacant, and given the prevalence of non-responses to the annual declaration that is expected based on the experience in other municipalities, the universal declaration method does not appear to be an effective or fair method of implementing the program.
 - It has been reported that in the City of Toronto for the year 2022, whereas there were 2,336 properties that declared as vacant, there were 44,902 properties that were initially deemed vacant due to no declaration being made (the majority of which were not vacant).
- A number of municipalities that share similar characteristics with the Town of Milton have already arrived at the same conclusion and have discontinued efforts to progress with a VHT.
- In 2021 the Federal Government introduced an Underused Housing Tax (UHT) program that applies a tax of 1% of a properties' value to vacant properties that are owned by those who are not Canadian residents. As such, some of the intended outcomes of the VHT may be achieved via the UHT, without the need for duplication.
- The Town is undertaking a significant change in the form of a new property tax software, as well as the introduction of a public portal for property owners to use to

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manage their accounts. It is recommended that the Town's effort and focus remain on that initiative which is expected to go live to the public in 2026.

It is recommended that Council adopt a position at this time on the basis of the information that is already available. Doing so in advance of the Region's remaining development of the full VHT program and by-laws will allow the Region's analysis and review to be more aligned with final scope of the program that will be adopted, and it will create efficiencies for Town staff who can focus their efforts on our property tax software transition.

Housing affordability and the availability of housing solutions will continue to be an area of focus for the Town and Region. Although the assessment of a VHT program has not demonstrated that it will have a material affect on the availability of housing or home prices, there are a number of initiatives being undertaken at all levels of government to improve housing market conditions. At the Town, for example, current initiatives being undertaken include but are not limited to:

- Allowing increased housing density on a single lot, including promoting the 'missing middle', encouraging accessory dwelling units and promoting infill development.
- Enhancing delegated authorities to expedite approval processes.
- Enhancing the public portal that is available for building permit approval to streamline and enhance the approval process.
- Providing financial incentives for affordable and rental units that are created (development charge incentives, building permit fee rebates, etc.)
- Adding additional staff with a focus on affordable housing solutions

Alternatives Considered

As outlined in Regional report FN-12-24, Halton Region has proposed that additional program design, including an updated financial projection and the development of VHT by-laws, occur between now and the fall of 2024, after which statements or endorsements from local municipal councils would be sought. If Milton Council preferred to make a decision with respect to VHT in the fall after the additional implementation details become available, Council could choose to amend the recommendations presented in this report, and instead receive report ES-009-24 for information.



Financial Impact

The cost of the external consultants that have supported the review of the VHT has been funded by the Region of Halton. To date, the Town's contributions have included staff time to help inform the review process, including research, analysis and consultation.

Should a VHT be implemented, it is expected that any net proceeds (after VHT program expenses) will be managed by Halton Region and utilized primarily towards enhancing affordable and assisted housing opportunities within the Region.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Glen Cowan

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Attachments

None

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.